

## The 1982 Tax Bill: The President Presents His Case

## Text of President Reagan's Televised Address on Tax Policy

WASHINGTON, Aug. 16—Following is the prepared text, issued by the White House, of President Reagan's address tonight on tax policy:

There is an old saying, we've all heard a thousand times about the weather and how everyone talks about it. I can see, and I think you can see, that we're all talking about it. Well, many of you must be feeling that way about the present state of our economy. Certainly there's a lot of talk about it, but I want you to know we are doing something about it. And the reason I want to talk to you is because you can help us do something about it.

Believe me, if some of you are confused, I can understand why. But some time, ever since we started planning the 1983 budget for the fiscal year beginning this coming Oct. 1, there has been a steady drumbeat of "reports" on what we're supposed to be doing.

I know you've read and heard on the news a variety of statements attributed to various "authoritative" Government sources—who prefer not to have their names used. Well, I think you know my name, and I think I'm an authoritative source. I'm right in the middle of what's going on here in Washington. So I'd like to set the record straight on what the things you might have heard lately.

**Analyzing the Tax Measure.** I'm sure you've heard that "we're proposing the largest single tax increase in our history." The truth is, we're proposing nothing of the kind. Then there is the one that "our economic recovery program will increase taxes instead of trying to reduce Federal spending." Well, don't you believe that one either.

Yes, there is a tax bill before the Congress tied to a program of further tax-cutting. It is not, however, the "greatest single tax increase in history." Possibly it could be called the greatest tax reform in history, but it absolutely does not represent any reversal of policy or philosophy on the part of this Administration (or this President).

Now you may have heard that some special interests oppose this bill. And that's right—some do. As a matter of fact, some of the Congress of my own party object to this bill—and strongly. I'm told by many that this bill is not politically popular, and it may not be. Why, then, do I support it? I support it because it's right. I support it because it's fair. I support it because it's the only way to get our country back to work again.

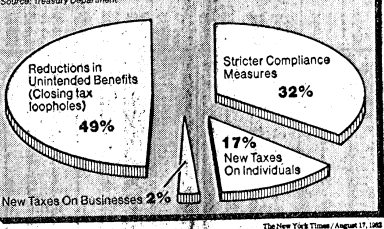
**A Plan for Economic Recovery.** You will recall that when our Administration came into office in January of last year, we announced a plan for economic recovery. Recovery from what? From the 1980 recession that saw inflation in double-digit figures for two years in a row. It was 12.6 percent when we arrived. Inflation had gone into outer space. They were at the highest they'd been in a hundred years with a prime rate that was 16 percent. There were 10 million Americans out of work, and in several hard-hit industrial states there were already pockets of unemployment reaching figures of 15, 16 and even 20 percent. The cost of government was increasing at a rate of 17 percent a year.

Well, weeks and weeks of negotiations resulted in a Congressional Budget Resolution combining revenue increases and further spending reductions. Revenues would increase over a

## Where the Tax Increase Would Come From: The Administration's View

Major provisions: Share of total three-year, \$99.3 billion tax increase

Source: Treasury Department



\$150 or less. The only people whose taxes will be increased by this withholding are those who are not paying their fair share of the tax burden. Once again, we are striving to see that all taxpayers are treated fairly. This withholding will go into effect next July, not this January First, as was earlier reported.

There was little we could do about the budget already in place, but we could do something about the one that had been proposed for fiscal year beginning in October of our first year. I had campaigned on the belief that the government could be reduced. I also said that one area of government spending could not be reduced but must, instead, be increased. That was the spending necessary to restore our nation's defenses, which had been allowed to deteriorate to a dangerous degree in the preceding four years.

**Industries Hurt by High Rates.** Interest rates continued high as the months went by and unemployment increased, particularly in the automobile industry and housing construction. Few could, or would, afford the high interest rates for home mortgages or installment buying of an automobile. Meanwhile, we were putting our economic recovery program in place.

It wasn't easy. We didn't get it all the way we wanted, and we got some measures we didn't want. But we were charting a complete turnaround in Government policy, and we did get it. The Congress mandated spending cuts of \$130 billion over the next three years, and adopted the biggest tax cut in history. This, too, was to be implemented over a three-year period. It began with a 5 percent cut in the personal income tax beginning Oct. 1, 1981, then a 10 percent cut this July and another scheduled for July 1, 1983. These will be followed by indexing of the tax brackets so workers getting cost-of-living pay raises will be in the proper brackets. You have to realize inflation itself is a tax. Government has profited by inflation—and it has added to it.

There were tax cuts for business and industry to help provide capital for modernization of plant and equipment, changes in the estate tax, capital gains tax and the marriage penalty tax.

Some who supported us on the overwhelming majority of Americans faithfully reports income from interest and dividends and pays taxes on it, some do not," said Mr. Reagan. "It is one of the significant areas of noncompliance and is costing the Government \$9 billion a year."

Seeking to minimize the effects of economic tax cuts, Mr. Reagan said the new cigarette tax would mean an increase of "only \$2.40 a month" to someone who smokes a pack a day. "The telephone tax increase is only about 34 cents a month for the average household," he said.

He also said that \$48 billion of the tax bill "represents closing off special-interest loopholes which resulted in unintended tax advantages for some, not all, taxpayers—some who are financially well able to pay their share. It added to this is also a matter of simple fairness."

He did not specify any loopholes, but apparently this was a reference to provisions in the bill that would reduce the tax breaks businesses got last year from accelerated depreciation and also would cut back last year's controversial "safe harbor" leasing provision, which has enabled companies to sell unused tax credits to other companies.

After devoting much of the speech tonight to a review of these rather detailed details of the tax bill, Mr. Reagan closed with a patriotic appeal for action. He said he recognized that "within the new bill there has, of course, been disagreement over some of the specific provisions."

He declared, "What we need now is an end to the bickering here in the capital," commenting at another point:

"The single most important question facing us tonight is: Do we reduce taxes and pay interest rates by raising revenue from those who are not now paying their fair share? Or do we accept bigger budget deficits, higher interest rates and higher unemployment simply because we disagree on certain features of a legislative package which offers hope for millions of Americans at home, on the farm and in the workplace?"

spending cuts were fearful of cutting taxes in view of the continuing budget deficits. We felt the tax cuts had to be a part of our plan in order to provide incentive for individuals and for business to increase productivity and thus create jobs for the unemployed.

It has only been 10 months since the first year of our program went into effect. As I said earlier, there are those who say it has been tried and failed. Well, as I said tonight to say, "Let's look at the record."

Start with interest rates—the basic cause of the recent recession. The prime rate was 21½ percent. Last week it was 14½ percent, and, as of today, three major banks have lowered it to 14 percent. Last week 30-day Treasury bills were paying less than 9 percent interest. One year ago they were 15½ percent. That double-digit inflation (12.6 percent) has been cut in half for the last six months. Real earnings are at least increasing for the first time in quite a while. Real savings, which trended downward throughout the last decade, are increasing. This means more money in the pockets of investment savers. This will help further reduce interest rates.

**An Increase in Economic Growth.** All of this in 10 months hardly looks like a program failed to me. Oh, yes I failed to mention that the tax cuts just ended there was an increase in economic growth—the first such increase in a long time.

Our biggest problem—the last one to be solved in every recession—is unemployment. I understand how tough it is for those who are waiting for jobs that they can't find. We can have no rest until our neighbors, our fellow citizens who want to work are able to find work. I began to feel that the main obstacle to their doing so is continued high interest rates. Those who are not so fortunate as we are, with the success we've had in reducing inflation. Part of the problems is psychological—a pessimism in the money markets that we won't stay the course and continue lowering the cost of government. The projected increase in budget deficits Bush heads up a task force that has been reviewing excessive regulations. Already enough unnecessary and duplicative regulations have been eliminated or revised to save an estimated \$6 billion every year.

Our efforts to restore fiscal integrity and common sense to the Federal establishment is not limited to the budget cuts and is around on the ground. Bush heads up a task force that has been reviewing excessive regulations. Already enough unnecessary and duplicative regulations have been eliminated or revised to save an estimated \$6 billion every year.

Our expectations general have been mobilized into a task force aimed at ferreting out waste and fraud. They

on top of those we obtained last year. This time, however, we could not get the support we had last year. Some who had not been happy about the tax cuts then were now insisting we must have additional tax revenues.

In fact, they wanted to cancel the reduction scheduled for next July and increase the spending reductions. Others proposed tax increases amounting to about \$150 billion over a three-year period. On top of this, there was resistance to the spending reductions we asked for and even attempts to eliminate some of last year's cuts so as to actually increase spending.

For many months now we've been working to get a compromise budget that would further reduce spending and, thus, reduce the deficits. We also have stood firm on retaining the tax cuts already in place, because, as I said, they are essential to restoring the economy.

I did, however, agree to limited revenue increases so long as they didn't harm the incentive features of our economic recovery program. We ourselves last year, had called attention to the possibility of better compliance with the tax laws—collecting taxes more effectively, but which were not being paid.

Back during the campaign, on Sept. 9, 1980, to be sure, I said my goal was to reduce by 1983 the share of gross national product taken by government in taxes to 20.5 percent. It was then about 24.8 percent. But even after passage of this bill, the Federal Government will only be taking 18.8 percent of the G.N.P. by 1983.

**Two Sides in a Compromise.** Make no mistake about it—this is a compromise. I have to swallow hard to agree to any revenue increase. But there are two sides to a compromise. Those who supported the increased revenues swallowed hard to accept \$80 billion in outlay cuts. Others have accepted specific provisions with regard to taxes or spending cuts which they opposed.

There is a provision in the bill for extended unemployment payments in states particularly hard hit by unemployment. If this provision is not enacted, 2 million unemployed people will use up their benefits by the end of March.

Each of these bills will make our tax system more fair for every American, especially those in lower-income brackets.

I am still dedicated to reducing the level of spending until it is within our income, and still want to see the base of the economy broadened so that the individual's tax burden can be further reduced.

Over the years, growth in government and deficit spending have been built into our system. It would be nice and neat if that out of our system with a single sharp slice. That, however, can't be done without bringing great hardship down on many of our less fortunate neighbors who are not in a position to provide for themselves. None of us wants that.

**Revising the Rules of Republicanism.** Our effort to restore fiscal integrity and common sense to the Federal establishment is not limited to the budget cuts and is around on the ground. Bush heads up a task force that has been reviewing excessive regulations. Already enough unnecessary and duplicative regulations have been eliminated or revised to save an estimated \$6 billion every year.

Our expectations general have been mobilized into a task force aimed at ferreting out waste and fraud. They

have conducted tens of thousands of audits, secured thousands of indictments resulting in many convictions. In the first six months of fiscal 1982 alone, they found \$8.8 billion of savings and improved use of funds. Computer cross-checking has uncovered thousands of Government checks still going to people who have been dead for several years.

Task forces from the private sector are engaged in a study of the management structure of government. What they have learned already indicates a great potential for savings by simply bringing government procedures up to ordinary modern business standards.

## Projects in Private Sector

Our Private Sector Initiatives Force, under William Verity, has uncovered hundreds of community and statewide projects performing services voluntarily that once were thought to be the province of government. Some of the most innovative have to do with job training and placement, particularly for young people.

What we need now is an end to the bickering here in the capital. We need the bipartisan comprehensive packages of revenue increases and spending cuts now before the Congress to be passed.

We are not proposing a "quick fix"—an artificial stimulant to the economy, such as we have seen in the several recessions in recent years. The present recession is bottoming out without resorting to quick fixes. There will not be a sudden boom or upsurge. But slowly and surely we will have a sound and lasting recovery based on solid values and increased productivity and an end to deficit spending. It may not be easy, but it is the best way to get our country back to work again and prosperity for all our people. Think of it: We have only had one balanced budget in the last 20 years. Let's look forward to the day when we begin making payments to reduce the national debt instead of turning it all over to our children.

**Calling on Public for Support.** You helped us start this economic recovery program last year when you told your representatives you wanted it. You can help again. If you are a Republican, a Democrat or an independent—by letting them know you want it continued, letting them know you understand that this legislation is a price worth paying for lower interest rates, economic recovery and more jobs. Let them know you're with them.

The single most important question facing us tonight is: Do we reduce deficits and interest rates by raising revenue from those who are not now paying their fair share—or do we accept bigger budget deficits, higher interest rates and higher unemployment? I believe we should choose the latter. I believe we should choose the latter. I believe we should choose the latter.

Do all these Americans to give up hope, that their ship of State lies dead in the water because those entrusted with this ship can't agree on which sail to raise? We are within sight of the safe port of economic recovery. Do we make port or go around on the shoals of selfishness, partisanship and just plain bickering?

Do all these Americans to give up hope, that their ship of State lies dead in the water because those entrusted with this ship can't agree on which sail to raise? We are within sight of the safe port of economic recovery. Do we make port or go around on the shoals of selfishness, partisanship and just plain bickering?

The measure the Congress is about to vote on, while not perfect in the eyes of any one of us, will bring us closer to the goal of a balanced budget, restored industrial power and employment for all who want to work. Together we can reach that goal.

## Reagan Asks Support for Tax Measure

Continued From Page 1, Section 1  
were striking contrasts between Mr. Reagan's speech tonight and the many he has given on behalf of his economic recovery programs in the past.

Among the main purposes, the President refrained tonight from denouncing "tax and tax spend" policies of the Democratic Party. His resistance to the usual partisan biases at Democrats was testimony to the President's problem need for support from most of the 243 Democrats in the House—not simply conservative Southerners but moderates and liberals.

In the Democrats' response after Mr. Reagan's speech, two Congressmen, Senator David L. Boren of Oklahoma and Representative Thomas S. Foley of Washington—answered Mr. Reagan with conciliatory remarks of their own.

Mr. Boren withheld his support from the bill, but Mr. Reagan gave a strong endorsement. "Weighing the benefits of passing this bill against the cost of not passing it," Mr. Foley said, "I have come to the conclusion that, despite our differences in the past, this is one occasion when the President's position is right."

Mr. Foley said that the bill's approval was needed as a matter of "economic urgency for the entire country." Raising tax, he said, would "balance many of the excesses enacted last year" in Mr. Reagan's original tax-cut program.

Senator Boren criticized several of its features and said that, even if it passed, it would not appreciably ease the recession or cure the problem of soaring Federal deficits.

Declaring that the bill originally proposed by Mr. Reagan was "a deep tax cut in the hope that it would be a 'resounding success,'" Mr. Boren said, "We must live in the real world, and the fact is that the Administration's program is not working."

Among the features Mr. Boren criticized in the bill were its provisions to raise taxes on telephone use, reduce deductions for medical expenses and impose withholding on interest and dividend income.

"Now we are faced with a tax bill that has both good and bad provisions," said Mr. Boren. "Each member of Congress will have to strike the balance between the good and the bad as one package." This was as far as he was willing to go in support of the bill.

In arguing that most of the bill was aimed at getting Americans to pay their "fair share" of the tax burden, Mr. Reagan cited several features in the legislation.

Principal among these, he said, was the withholding provision on interest and dividends. He said there had been "considerable confusion" over this provision, and he pointed out that the bill specifically exempts lower-income elderly persons and other low-income individuals.

overwhelming majority of Americans faithfully reports income from interest and dividends and pays taxes on it, some do not," said Mr. Reagan. "It is one of the significant areas of noncompliance and is costing the Government \$9 billion a year."

Seeking to minimize the effects of economic tax cuts, Mr. Reagan said the new cigarette tax would mean an increase of "only \$2.40 a month" to someone who smokes a pack a day. "The telephone tax increase is only about 34 cents a month for the average household," he said.

He also said that \$48 billion of the tax bill "represents closing off special-interest loopholes which resulted in unintended tax advantages for some, not all, taxpayers—some who are financially well able to pay their share. It added to this is also a matter of simple fairness."

He did not specify any loopholes, but apparently this was a reference to provisions in the bill that would reduce the tax breaks businesses got last year from accelerated depreciation and also would cut back last year's controversial "safe harbor" leasing provision, which has enabled companies to sell unused tax credits to other companies.

After devoting much of the speech tonight to a review of these rather detailed details of the tax bill, Mr. Reagan closed with a patriotic appeal for action. He said he recognized that "within the new bill there has, of course, been disagreement over some of the specific provisions."

He declared, "What we need now is an end to the bickering here in the capital," commenting at another point:

"The single most important question facing us tonight is: Do we reduce taxes and pay interest rates by raising revenue from those who are not now paying their fair share? Or do we accept bigger budget deficits, higher interest rates and higher unemployment simply because we disagree on certain features of a legislative package which offers hope for millions of Americans at home, on the farm and in the workplace?"

## Revolt in G.O.P. Fosters Threat to Leader Image

Continued From Page 1, Section 1

long-term political cost to Mr. Reagan and his party may reach beyond the votes of next week on the tax bill. That is because White House polls show that Mr. Reagan's image as a leader is his greatest political asset and also, in the words of a Reagan aide, "the most overwhelming factor helping Republican candidates" in the fall Congressional elections.

White House lobbyists are telling Republicans in Congress that preserving the ideological purity of the Reagan economic recovery program is more important than preserving Mr. Reagan's appearance of mastery over his own party and the Congress.

But the Republican opposition that has formed around Representatives Jack P. Kemp of upstate New York and Newt Gingrich of Georgia insists that for Mr. Reagan to advocate new taxes is both a betrayal of principle and a loss of leadership.

Actually, less than half the \$280 billion consists of outlay cuts as such. About \$107 billion consists of savings projected because of optimistic assumptions on interest rates leading to lower debt service costs. An additional \$48 billion would come from unspecified "management" improvements, including the leasing of Federal lands.

The tax bill Mr. Reagan advocated tonight has had a tortuous history. Last February Mr. Reagan first submitted a \$280 billion budget for the fiscal year 1983 seeking \$34 billion in new tax revenues spread over 1983-85. Republicans in the Senate forced Mr. Reagan to a larger tax package as the price for their going along with Mr. Reagan's spending cuts.

Not until last weekend, however, did a House-Senate conference committee complete 13 long days of deliberations, hammering out the details of what would be the best compromise. Now Republicans are fighting the bill. Many Democrats prefer tax increases over spending cuts as a means to reduce the deficit, but they don't want voters to blame them for increasing taxes.

braced the tax increase as an economic necessity while distancing himself from it as an unattractive "compromise."

The Washington political community debated today about the impact of the tax bill on the fall election. For example, can Mr. Reagan characterize the Democrats as big spenders? How, on the other hand, can Democrats who vote for the bill criticize the President for raising taxes?

The answers to these questions are not yet clear, but White House officials acknowledge that Mr. Reagan is baring away one favorite campaign weapon—his attacks on Speaker O'Neill.

"He's not out there now kicking the slats out of Tip," said one aide in referring to the Massachusetts Democrat and defending Mr. Reagan's decision to battle his party's conservative wing with Democratic votes. "But the aide added, 'the President has the obligation to lead, and he's got to get the votes where he can find them.'"

That necessity has forced Mr. Reagan to swallow political slights that would have been unthinkable last year when he accepted only marginal Congressional editing on his budget legislation. The bill that Mr. Reagan advocated tonight was not his. It was heavily altered by Democratic leaders from Mr. Reagan ignored with impunity last year. The bill was originally the product of Senate Democrats.

As for Bob Dole, the Kansas Republican who heads the Finance Committee and who yesterday said that he had never believed in Mr. Reagan's supply-side ideas to begin with.

In regard to the Internal politics of the White House, Mr. Reagan's call for higher taxes shows the success of a nine-month campaign by moderates in the White House staff to change his mind. Last December he rejected their plan to trim the deficit with a tax increase. But in the interim they—and the recession—gradually ground down the President's resistance.

Chicago  
Is one of nearly a dozen American cities with a full-time New York Times news bureau.